

ECONOMIC COUNCIL LETTER

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903 First National Bank Bldg., Utica 2, N. Y.
834 Investment Building, Washington 5, D. C.

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Who Is Looking Out For Capital?

We have often commented on the part played by private citizens and groups of citizens in the making of our laws.

The Congress could not intelligently legislate if citizens' groups did not present facts and opinions to the 531 Members of both Houses. No 531 men, however well staffed, could possibly have the information, knowledge and wisdom to frame legislation on all subjects coming up for action.

Since this is so, it is imperative that all groups in the country be represented by men that can adequately present their views. If such groups are represented, the Congress can judge the relative merits of conflicting interests. But if any groups are not adequately represented, then legislation passed may be unwise and not in the interest of the whole people.

Congress of American Industry

One of the yearly shows put on in New York City is the Congress of American Industry staged by the National Association of Manufacturers. No one who attends the sessions of this three-day affair the first week in December can fail to be impressed. One hears and meets some of the best known industrialists and public men in the United States.

One of the speakers last December was Mr. Cloud Wampler, President of the Carrier Corporation of Syracuse, who dealt with the functions of management. He stated that management is a profession, many of the most important present-day managers of industry having little or no financial interest in the corporations they manage. They are the stockholders' hired men.

Mr. Wampler discussed the position of labor, of management and of capital. His conclusion was that the function of management is to weigh the sometimes conflicting interests, on the one hand of labor and on the other hand of capital, and to reconcile them.

What he clearly implied, if he did not say, was that while the directors of a corporation are elected by the stockholders, and the directors elect the manager—whether he be President, Chairman of the Board or known by some other name—yet the manager repre-

sents both labor and capital. The inference is that he is not the particular representative of capital. In fact, Mr. Wampler said clearly that "... management has just as great an obligation to labor as it has to capital."

If this speaker was voicing the common thought among managers, and there is reason to believe his thought is widely held among them, the question naturally arises, who represents capital?

Who represents the billions of savings invested in the stocks of corporations? Who represents other billions of industrial, railroad, utility and other bonds held by life insurance companies and savings banks, as well as by millions of private citizens?

Who represents the accumulated savings on which all private enterprise is built and to which in future it must look for expansion, if it is to be preserved?

There is certainly no doubt in the minds of Messrs. Philip Murray, William Green and John L. Lewis that they are looking after "labor" and "labor" alone—they would laugh at any intimation to the contrary.

Are the National Association of Manufacturers and similar, though lesser, organizations of employers, looking out for capital, private enterprise, private property and the preservation of individual initiative? Or are they only, or perhaps primarily, organizations of managers? If the latter, then who is looking out for the preservation of the capitalist system?

We Are Speaking of Public Policy

We are not thinking of those instances constantly arising in every business concern where differences of interest between the owners of that particular business and those who work for it must somehow be reconciled. Mr. Wampler is on firm ground when he asserts it is management's duty to reconcile these differences.

We are thinking rather of the interests of capital in matters of public policy—of the vital interests of all those millions who did not spend all their earnings of yesterday or last year or fifty years ago, but put them to work. Had those people not saved, furnishing the capital for plant and tools of production, this country could never have developed. And by the same token,

if men and women are not to be able to save and invest their money to meet the vastly greater needs that are coming, then private enterprise will fail.

Of course the socialist-minded in our universities and elsewhere would be quite willing to see it fail. They say government will furnish the money. But government has no money of its own and can get it only by force, express or implied, from individual citizens—that is by taxation. And it cannot get it by taxation if the people have not earned and saved it.

Communists and other left-wingers predict a crisis will come in American affairs which will mark the downfall of capitalism, and that that crisis will be Communism's opportunity to step in. And the only way government could undertake to run our economy would be by regimenting every individual in the land as thoroughly and ruthlessly as Soviet Russia does today.

President Truman's message to Congress on January 5th urges a series of socialistic measures which, if passed, would carry the private enterprise system a long way toward its destruction—a crisis in which the Communists might well be able to take over.

In other words, all the savings of all the people are today threatened with being wiped out. Therefore, it becomes important to know whether as great an organization as the National Association of Manufacturers, raising and spending several million dollars a year, is merely an organization of managers, or whether it can be expected adequately to defend the private enterprise system before the Congress of the United States and the several State legislatures. And if it does not regard itself as the natural defender of private enterprise and of the accumulated savings of the people, then who can be depended upon to defend them?

ILO Convention

We think there are signs the National Association of Manufacturers has not always adequately defended the capitalist system. We think the NAM and at least one other large group have been in some respects standing on the side line as spectators while Socialists and Communists have pushed measures through Congress, or are planning to do so, which have as their aim the destruction both of the capitalist system and the independence of the United States.

In Council Letter No. 200 entitled "World Government—By the Back Door," we analyzed the so-called "convention" adopted last July by the International Labor Organization, which will shortly come before the United States Senate for action. We pointed out that if this "convention" were ratified, then under the Constitution of the United States it would become a treaty which would supersede all Federal statutes and all State statutes and State constitutions inconsistent with it. Thereafter all relations between American employers and their employees would be under the control, not of Congress or State legislatures, but of the International Labor Organization. And the United States is but one of sixty nations that make up the ILO.

The effect, therefore, of ratification of this "convention" would be for the United States to abdicate a considerable part of its sovereignty to the ILO. Many of

the countries voting in the ILO are communist countries, and the head of the ILO, Mr. David Morse, is, to say the least, a thoroughgoing left-winger.

We do not see how any American can possibly favor the ratification of this "convention" if he believes in America, in private enterprise, and in the continued independence of his country.

Yet, indirectly at any rate, the National Association of Manufacturers, and the Chamber of Commerce of the United States, have signified approval.

Each member nation has four representatives in the ILO. Two of them are appointed by the Labor Department, one is selected by labor organizers, and one by employers. The American employer representative was nominated jointly by the National Association of Manufacturers and the Chamber of Commerce of the United States. At the San Francisco meeting last July where this "convention" was adopted, this representative (or his substitute) voted in favor of the "convention." So far we have seen no indication that either the NAM or the Chamber of Commerce is in the least disturbed by the threat of the pending treaty.

Yet ratification of this "convention" would be a blow at the savings of every American citizen. For you cannot undermine American independence without striking at the value of the savings of Americans.

Viewpoint of a Financial Editor

In this connection we quote from the column of Mr. Ralph Hendershot, Financial Editor of the *New York World-Telegram*, of November 12, 1948, under the heading, "Corporate Managements Endanger Free-Enterprise by Ignoring Owners":

"They [our industrial and financial leaders] are the principal keepers of this nation's free-enterprise system and if they fail to do a job it may be discarded for something much less attractive. They can hardly afford to stand long beside the wailing wall even if labor promises to carry the ball during the next four years.

"They have at their elbows a force strong enough to command respect of even the most astute politician but oddly enough they have been unable to recognize it. The owners of our large corporations are as large, if not larger in numbers than the labor group and they stand to be hurt a great deal if the free-enterprise system is eventually discarded.

"But the managements of our large corporations and their stockholders are as far apart as the poles. Directors and officials of corporations pretend to represent their stockholders but even a schoolboy should be able to detect that this is not a fact in actual practice. When and if this is corrected these managements will be in a fair way toward making good on their job of helping to protect the American way of life.

"... so far as providing leadership or acquainting them with economic and political factors affecting their investments, they [directors and officials of corporations] are a complete flop."

Going Along with the Government

Going back to the NAM meeting last December, it is interesting to note that the theme of the program of this 53rd Congress was "Teamwork—for a better tomorrow for everybody."

One of the "liberal" New York newspapers, in its issue of December 1, summed up the key-note address by saying that the theme of it was "cooperation and teamwork between industry and government—between management and labor." This implies a willingness to go along with the government. Such willingness with respect to enacted statutes is absolutely essential if we are to have an orderly civilization. But to go along with the government today may readily be interpreted to mean the going along with the government's legislative policy. And to go along with the legislative policy of Mr. Truman, or, to put it another way, to refrain from opposing his socialistic program before Congress with all possible means, would be suicidal to business. For Congress can and maybe will, unless business summons its great resources to oppose this socialistic program, pass enough laws to commit the country irrevocably to Marxism.

We intend what we say to be constructive. The National Association of Manufacturers contains many of the best business executives in the United States. It does a great deal of excellent work. But it is time for it to throw its full influence on the side of protecting the vital institutions on which all American industry has been built up. In recent years the NAM has not been the important factor it should have been in resisting the socialist trend.

For Socialism having already broken into our national house and about to penetrate every room, and Communism itself having one foot in the door—it is no time to go along with the government in its making of socialist policy. If we are to remain a free people, there can be no compromise with Socialism. We believe the NAM should take a positive stand on every socialistic issue. It should be in there swinging with all its strength.

There Can Be No Neutrals

For there is no time to lose. There can be no neutrals among those who believe in American private enterprise. William Green, Philip Murray and John L. Lewis are not neutrals—they are not going along with the government—unless the government goes along with them 100%. And if the NAM and other business organizations are not willing to take up the cudgels for private enterprise just as aggressively as Green, Murray, Lewis, *et al*, fight for the extremist elements in labor, they might as well quit.

What Groups Are Left to Fight for Private Enterprise?

Separate trade organizations cannot single-handed cope with the great issues before Congress this year. If the NAM is not willing to bring all its force to bear

against the socialistic-communistic proposals, then what is left *really* to oppose them effectively?

The answer is that groups like the National Economic Council, the Committee for Constitutional Government, the Tool Owners Union and others, are the most effective forces left. They are willing to get into the fray and hit hard. When these groups have carefully studied legislative proposals and have framed their statements to Congress, it is our experience that Congress listens—not, of course, the extreme left-wingers, but the many thoughtful patriotic men and women who make up the bulk of both House and Senate.

If Congress hears plain, straight words from the left-wing side, but only bland, compromising statements from the opposition, the left-wingers are likely to win out.

When, for instance, the so-called "Right to Organize Convention" (previously mentioned in Letter 200) of the ILO comes before the Senate for action, and it is related that the representative of both the NAM and the Chamber of Commerce of the United States voted in favor of this "convention" at San Francisco, it will require very great effort to prevent ratification.

Timid Corporate Executives

And that leads to this further comment: Many corporations, both large and small have long contributed to organizations such as the National Economic Council and others. But in recent years such support has often dwindled or ceased altogether.

Formerly the President of even a large corporation considered it worthwhile to see the representative of such an organization and to decide himself, or after brief conference with his associates, upon the amount to be subscribed. Recognizing that such independent organizations are fighting to preserve private enterprise, and believing corporations have an obligation to their stockholders to assist in such a struggle, business leaders did not hesitate to make reasonable commitments.

But recently the tendency has been to delegate this responsibility to a committee of junior executives who "sort out" the "worthy causes." And too often their chief purpose seems to have been—until very recently—to hold the aggregate of contributions down. They are also likely, ironically enough, to refuse contributions to organizations which have fought so effectively that they have made enemies among left-wingers!

So, at just the time when compromisers intimate willingness to go along with the government, some corporation managements still resort to the safety-first device of a committee to say *no* to groups that are fighting the battle of private enterprise.

Intimidation

There is another factor. Some organizations fighting for private enterprise, resenting the apparent supine subjection of the Administration to the Zionists, have been outspoken in their condemnation of Zionism. As a result it seems highly likely (indeed, we have well defined rumors which we ourselves believe) that some Zionist stockholders have made it their business to try

to see that a corporation in which they hold stock should not make a contribution to any organization which these Zionists don't approve.

Intimidation of a ruthless nature on the part of Zionists is nothing new. Last July, certain Zionists formed an organization which openly, in the press and through use of the United States mails, demanded a boycott of British goods—all because Britain, having suffered cruelly at the hands of the Zionists in Palestine, was showing resentment. And the request to boycott Britain was accompanied by threats of damage if those to whom letters were sent did not comply.

Already a "confidential plan" has been announced to its members by a left-wing group known as "Friends of Democracy," systematically to urge directors and stockholders of 5,000 corporations not to contribute to certain pro-American groups. Most conspicuous among these groups is the National Economic Council. This plan was sent out January 4th by Rex Stout, President of "Friends of Democracy." Stout, a left-winger with a long record, was formerly an editor of the communist magazine, *The New Masses*. Just about everything that "Friends of Democracy" has stood for has been consistent with the communist line. The Armenian sneak, Avedis Derounian, is said to have been an employee of "Friends of Democracy" when he wrote his smear book "Under Cover."

Stout's "confidential" memorandum says in part,

"Documents are being prepared on the subversive groups which have been supported by these big corporations, as for example, . . . Merwin K. Hart . . .

"These documented reports will be sent to the principal stockholders of the big corporations and all of the members of the boards of directors of the companies supporting the subversive groups.

"A good many of the supporters of Friends of Democracy are acquainted with the boards of directors of these corporations. Arrangements will be made for personal conferences in many instances."

If any of our friends, whether officers of corporations or stockholders, are approached by "Friends of Democracy," and will let us know, we will send full information about that left-wing group.

An Uncomfortable Thought

Mr. Hendershot in his column frankly said corporate managers are ignoring the owners. Now if socialization comes, if Mr. Truman's socialist plans go through, the managers will suffer comparatively little. There will still have to be managers. The managers under private enterprise today will be the managers under Socialism tomorrow—at least for a while. Can it be that unconsciously this thought has crept into some minds? Can it be that some of them are

short-sighted enough to be motivated by the thought that even though stockholders and bondholders lose their money, they, the managers, will survive?

Time to Act

It is time for every red-blooded American to gird for the fray. We must defend not only what is ours—whether it be large or small. We have even more to defend that system under which we had opportunity to earn, and save and invest, and pass on to our children. Most of all, we have to defend the right of our children to have the same opportunities we have had.

No organization in the United States could be more powerful before Congress than this great organization of private enterprisers, the National Association of Manufacturers.

We hope it will see the strategic opportunity that lies before it. Its members need only to face the reality of the present danger and decide that private enterprise is worth saving at any cost.

Merwin K. Hart

President,

NATIONAL ECONOMIC COUNCIL, Inc.

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